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ABSTRACT

The authors contend that a solution to the problems raised by the "Serrano" decision is impossible without an understanding of the basic facts of public education in California. Size, cost, discrepancies, and ranking in relationship to other states and the nation are advanced to place California's public school system in clearer focus. The remaining sections of the paper analyze the judges' comments in the "Serrano" decision, advance the value of a higher level of education for all citizens, and describe how California schools are financed. Data are cited that show that the more education individuals have, the higher the voting rate and lifetime earnings, and the less unemployment and participation in criminal activities. The court's ruling on the two interrelated issues in the "Serrano" decision are summarized. These are disparities in per pupil expenditures due to local district wealth and disparities in local tax effort. Highlights of the actions of some of the more than 20 states that have become involved in a national school finance reform movement are outlined. The final chapter summarizes the legislation (AB 65) signed by Governor Brown that affects the cost and the quality of the state's public schools. (MLF)

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Madera Unified School District

Administrative Offices

1902 Howard Road

Madera, CA 93637

Governing Board

Marshall Padilla

Jerry Barden

Judy C. Carter, President

Karen Griffin

B. J. Robinson

Duane E. Furman, Ed. D
District Superintendent

Roger Howe

T. R. Gustaveson

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What's the Problem?

Boiled down to the bare essentials, it is this: The way the state finances its public schools is unfair--both to the children who attend them and to the people who pay for them.

In fact, the system violates the state constitution--and must be changed. This is what the California Supreme Court said in its decision in the case of Serrano v. Priest.

The court said the quality of schooling available to California's children depends too much on the value of residential and commercial property in the particular school districts in which the children happen to live.

Noting that more than one-half of public school funds are raised through the local property tax, the court determined that the more real property value per student in a district, the more money the district can readily raise per student.

Although the court concluded that more money doesn't guarantee better schools, it said that money is obviously of basic importance in determining the quality of a child's education.

In 1975-76, one California school district spent $728 per pupil; at the other extreme, another district spent $4,918 per pupil. The court ruled that such disparities, when they are the result of local district property wealth per pupil, violate the state constitution.

The legal issues is equity, not quality. Equity in providing educational opportunities does not necessarily mean quality education for all. Quality of public schooling can be equally good or equally commonplace and still be constitutional, according to the court's ruling. No matter where children live and go to school, the court said, the ability to raise funds for their education must be equitable. As long as differences are not the result of differences in local district property wealth, one district may spend more than another district. And special services may be provided for handicapped, disadvantaged or bilingual children, as examples of those with special needs.

From an education perspective, the issue is both equity and quality. The promise of American education is that every child shall have an equal opportunity to achieve his or her full potential. Those who hold this view believe that the legislature, in complying with the Serrano decision, must make certain that every child in California gets an equal opportunity to obtain a quality education.

The Big Gap Between Rich and Poor

Forty-two elementary school districts in California had $200,000 or more in assessed prope-ty value per pupil in the 1976-77 school year. At the other extreme, 19 elementary districts had less than $10,000 in assessed property value per pupil. However, most pupils attend schools in districts near the median--$32,090 for elementary, $19,201 for unified and $56,063 for high school districts.

A local property tax of $1 per $100 of assessed value in a district having $200,000 of property wealth per pupil would raise $2,000 per pupil. The same $1 tax levy in a district with only $10,000 of assessed value per pupil would raise only $100.

To raise even $500 per pupil, a district with only $10,000 of assessed value per pupil would have to levy a local property tax at the rate of $5 per $100 of assessed valuation. That means the owner of a home in that district with a full value of $48,000 and with an assessed value of $12,000 would pay $600 in local property taxes just for public schooling.

First Step to a Solution:

Understanding the Basic Facts

A solution to the problems raised by the Serrano decision is impossible without an understanding of the basic facts of public education in California. Size, cost, discrepancies and ranking in relationship with other states and the nation all help to place California's public school system in clearer focus.

What are the facts? Public education in California is a huge enterprise--the biggest business in the state. It involves more children than there are people in 34 states.

Nearly one-fourth of the state's population is engaged full time in public schooling--as students, teachers, support staff or administrators. It's a multi-billion dollar activity that has some kind of impact on every person in state. It costs $6.5 billion a year in operating costs alone to provide public schooling for 4.5 million children form kindergarten through grade 12. That's about $1,400 per pupil.

Public schooling is the single largest employer in the state. The state's 1,042 local school districts employ approximately 187,000 full-time teachers and pay them an average annual salary of $16,000. In all, 364,000 people manage and oerpate California's 7,045 public schools. That's 4.6 percent of the wrok force in the state.

More than 1.4 million of California's public school pupils are fram racial and ethnic minority groups. One million are from families with annual incomes below the federally established poverty level of $5,400 (non-farm family of four). An estimated 500,000 pupils are mentally or physically handicapped. And 300,000 do not speak English or have very limited English-speaking ability. However, the amount of education that California citizens have is among the highest in the nation. According to the 1970 U.S. census, California ranks seventh among the states in the percentage of its population over the age of 25 who have completed four or more years of high school. It also ranks seventh in the percentage of its adult population with four or more years of college. About 92 percent of all California citizens 5-17 years of age are enrolled in public schools; approximately 300,000 graduate from California high schools every year.

Variety and Scope

Public school sites in California range from one room buildings with fewer than 10 pupils in some rural areas to large inner city high schools serving as many as 3,600 pupils. A wide variety of programs are available--from basic skills and multicultural education to humanities and work-study offerings. Teaching styles vary from one teacher who teaches a single class all day in all subjects to teams of specialized teachers, teacher aides and resource specialists.

High school activities range from the primarily college preparatory to those that place heavy emphasis on vocational education. Generally, public schools attempt to provide whatever their students need. In 1975-76, 1,707 schools provided breakfast as well as lunches, for example. And adults education programs keep the lights burning until late at night in hundreds of schools across the state.

In short, public schooling in California is massive in size and scope and provides extensive services.

How California Compares

California's 21.7 million residents have the 11th highest per capita income in the nation. Californians spend more per person each year on public welfare than the citizens of any other state except New York. They spend more per capita on state and local police protection than the citizens of all but three other states.

California ranks seventh in per capita expenditures on fire protection and 11th in per capita expenditures on public health. It ranks lower, however, in its support of education--18th in total expenditures for public education as a percent of personal income. That is, citizens in 17 other states spend a greater share of their incomes on public schooling than do Californians.

In annual per pupil expenditures, California ranks 17th. This means that California schools spent an average of $1,595 annually for each student in the 1976-77 school year. The national average in 1976-77 was $1,562--ranging from a high of $2,938 per pupil in Alaska to a low of $1,095 in Kentucky.

Discrepancies

In California, there is a direct relationship between local district wealth and pupil-teacher ratios. Throughout the state, pupil-teacher ratios vary considerably. Some high-spending districts have one teacher for every 15 students, while many low-spending districts have one teacher for every 35 students or more. The local property tax rate for school purpose also varies considerably. It ranges from less than 25¢ per $100 of assessed value in a few high-wealth districts to more than $6 per $100 assessed valuation in some low-wealth districts.

How California Compares

Contrary to what many Californians believe, their state is far from the top in per pupil expenditures.

Statistics complied by the National Education Association for the 1976-77 school year shows that New York invested $738 more per pupil than California.

Note California's position in the ranking of states:

1.	Alaska	2,938
2.	New York	2,333
3.	New Jersey	2,104
4.	Wisconsin	1,926
5.	Maryland	1,889
6.	Connecticut	1,888
7.	Illinois	1,876
8.	Delaware	1,866
9.	Pennsylvania	1,862
10.	Wyoming	1,765
11.	Montana	1,730
12.	Washington	1,694
13.	Massachusetts	1,683
14.	Iowa	1,669
15.	Minnesota	1,646
16.	Oregon	1,600
17.	CALIFORNIA	1,596
18.	Michigan	1,589
19.	Colorado	1,556
20.	Kansas	1,555

Per Pupil Expenditures, 1976-77

National Average $1,562

The impact of differences in local property wealth on public schooling can be illustrated by two adjacent districts in Alameda County. Both the San Leandro Unified and San Lorenzo Unified School districts are located just south of Oakland on the east side of San Francisco Bay. In the 1975-76 school year, San Leandro had 8,473 pupils and a total of $389.9 million in assessed property wealth. That's $76,688 per elementary school pupil and $115,044 for each high school student. A few miles down the road in San Lorenzo there was a total of $211.4 million of assessed property behind 12,992 pupils--$27,823 per elementary pupil and $39,204 per high school student.

San Leandro spent $1,574 per pupil in 1975-76 with a $2.84 general purpose tax rate. San Lorenzo spent $1,143 per pupil and had a general purpose tax rate of $3.99 per $100 assessed property valuation. The property rich district, San Leandro, received only 25 percent of its total school budget from the state, while the poorer district, San Lorenzo, relied on the state for 45 percent of its total school budget. The pupil-teacher ratio was 26-1 in San Leandro and 28-1 in San Lorenzo.

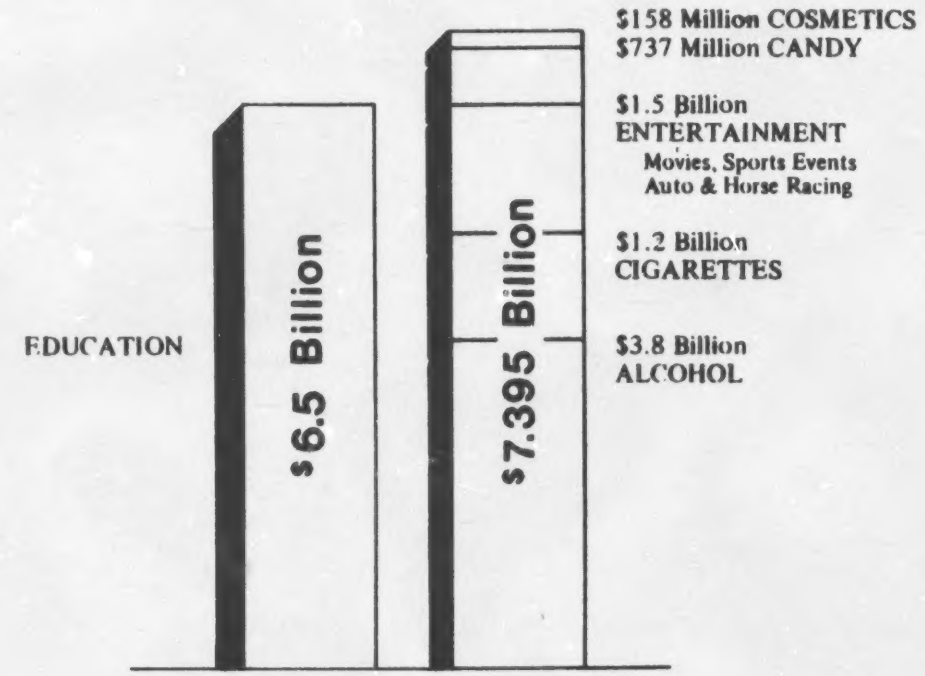
Confusing Figures - A Clarification

Comparing school costs is often confusing because of the problem of defining which costs are being compared. The accompanying figure shows that the total cost of California's public schools in 1975-76 was $7.5 billion. The general fund cost portion of the total was 6.5 billion (the general fund is the fund from which the ordinary operations of a school district are supported and those operations not provided for in other funds). The remaining costs are paid from special funds for capital outlay, food service and child care. Usually, when discussing school finance, the general fund figure is the one that is used as the cost of schools. The other sources or accounts are often excluded because they either vary from year to year or they are costs attendant to but not directly related to the general activities of the schools.

The differences in tax effort and the resulting money raised for schools in these neighboring districts illustrate the problem pinpointed by the Serrano decision. It is unfair, the court said, that taxpayers in one district can make a greater effort for schools but still raise less money than those in a district with high per-pupil wealth who raise more money with considerably less effort. This is the kind of discrepancy that must be overcome if California is to meet the requirements of the Serrano decision.

What's Important?

While the citizens of California spend $6.5 billion of general fund revenues annually on public schools for operating costs, they spend more every year on alcohol, cigarettes, entertainment, cosmetics and candy. Here's the breakdown: $3.8 billion on alcohol; $1.2 billion on cigarettes; $1.5 billion on entertainment, including movies, commercial sports, and auto and horse racing; $158 million on cosmetics; and $738 million on candy.



WHERE CALIFORNIANS SPEND THEIR $ $ $

Costs Increases Cited

Public school expenditures increased 114 percent between 1967 and 1976. During the same period, personal income of all Californians increased 98 percent and the consumer price index increased 60 percent. At the same time, state government costs increased 150 percent, county government costs increased 143 percent and city government costs increased 146 percent. Meanwhile, public school enrollments remained about the same.

How Do California's Teachers Fare?

Teacher salaries and benefits account for approximately 60 percent of all public school expenditures in California.

The average salary of a public school teacher in California in 1976-77 was $16,000. Three states, according to a National Education Association (NEA) survey, had higher average teacher salaries in 1975-76 -- New York, Alaska and Michigan. Teachers in California are paid about the same as teachers in Hawaii or Illinois. The national average was about $13,300 in the 1976-77 school year, the NEA said.

California pays higher salaries for police and fire protection than it does for teaching children. The average salary of a policemen in California is almost $18,000; fire fighters are paid more than $20,000 annually on the average.

While the average salary of a classroom teacher in California has increased more than $6,000 between 1967-68 and 1976-77, the increase in real income, due to inflation, has been only $80, or less than one percent for the entire 10-year period.

That's less than the national average of 1.2 percent over the same period.

Second Step to a Solution:

Recognizing the Value of Education

What's all the fuss about? Is it really all that important that equal educational opportunity be provided for all young people in the state?

In ruling on the Serrano case, the California Supreme Court said public education is essential both for individuals and for society as a whole.

"The need for an educated populace assumes greater importance as the problems of our diverse society become increasingly complex," the court said.

This view has been evolving since the early days of the nation.

In Colonial America, institutions other than schools--families, farms, shops and churches--were of equal if not greater importance in shaping individual lives and influencing the quality of society.

For the most part, formal schooling was available only to a few select males. Children from poor families usually received no schooling at all.

In 1789, when the U.S. Constitution first went into effect, the schooling available served to maintain the kind of class distinctions that were characteristic of Europe at that time. Public education was not considered important enough to be included among the basic rights spelled out in the Constitution.

Instead, education was reserved under the Bill of Rights as a responsibility of the individual states.

To this day, each state is primarily responsible for the education of its residents. In 1973, the U.S. Supreme Court ruled that education is not a fundamental right of citizens under the federal constitution. But under the terms of most state constitutions, including that of California, it has been found to be of fundamental importance.

The California Constitution, for example, says: "A general diffusion of knowledge and intelligence being essential to the preservation of the rights and liberties of the people, the Legislature shall encourage by all suitable means the promotion of intellectual, scientific, moral and agricultural improvement."

It also states that "the Legislature shall provide for a system of common schools..."

More Educaiton Results in Better Citizens

The value of public schooling to the individual and to society has evolved gradually over the years.

Soon after the U.S. Constitution was ratified, the nation realized that the new--and still experimental--from of government required a new kind of education. A government that received its power from the consent of those being governed needed knowledgeable citizens.

Stimulated by the concerns of the country's founding fathers, the basic concept of compulsory public schooling that we know today developed during the new nation's first 50 years. The prime movers in this effort were state legislators, not educators--men such as Horace Mann in Massachusetts, Henry Barnard in Connecticut and Thaddeus Stevens in Pennsylvania.

State-by-state, a system emerged that provided eight years of public schooling for all, male and female, rich and poor, regardless of religion. This was education for basic citizenship, providing children with enough knowledge and understanding to function effectively in a representative democracy.

What the Court Said

Here's what the trial court judge in the Serrano case wrote about the value of education:

*Schools can and do play a role in making children better future citizens.

*A child's self-concept (what a child thinks about himself) can be improved by the educational process.

*Schools can and do play a role in equipping children to get along in a technological society.

*Schools can and do play a role in providing children with acceptable social values and behavior.

*Education is a major determinant of an individual's chances for economic and social success in our competitive society.

*Education is essential in maintaining "free enterprise democracy"--that is, making sure a poor person has the opprotunity to compete successfully in the economic marketplace.

And this remains one of the basic values of education to this day. As the trial judge in the Serrano case wrote, "education has a critical influence on a child's development as a citizen and his participation in political and community life." Statistics indicate that the more education a person has, the more likely he or she is to vote or to participate in volunteer activities.

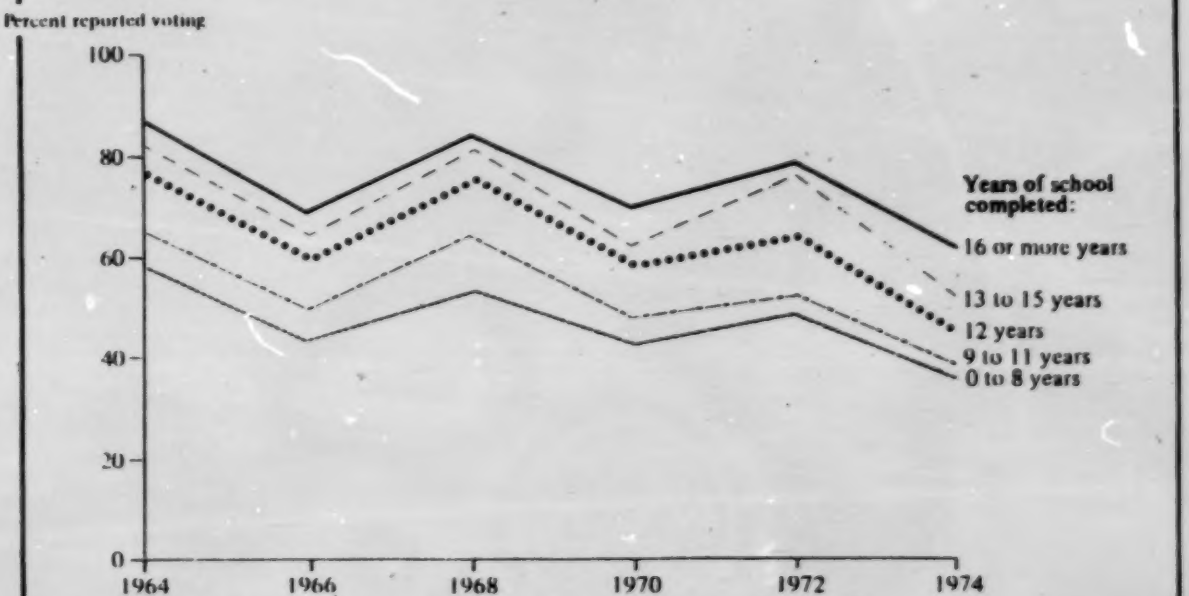
As the republic grew, both in geographic size and in number of people, the educational system expanded.

With the advent of the industrial revolution, the nation's economic base gradually shifted from agriculture and trade to business and industry. While a few years of formal schooling might suffice for citizenship in a small democracy of farmers and traders, it was not enough to appease the appetite of a growing industrial economy. Public schooling became a practical economic necessity for both individuals and society.

And so, during the second half of the 19th century, high schools were added to the "common" schools that had been mandated earlier by state law. In state after state, compulsory school attendance laws were enacted to require schooling until the age of 14 or 16.

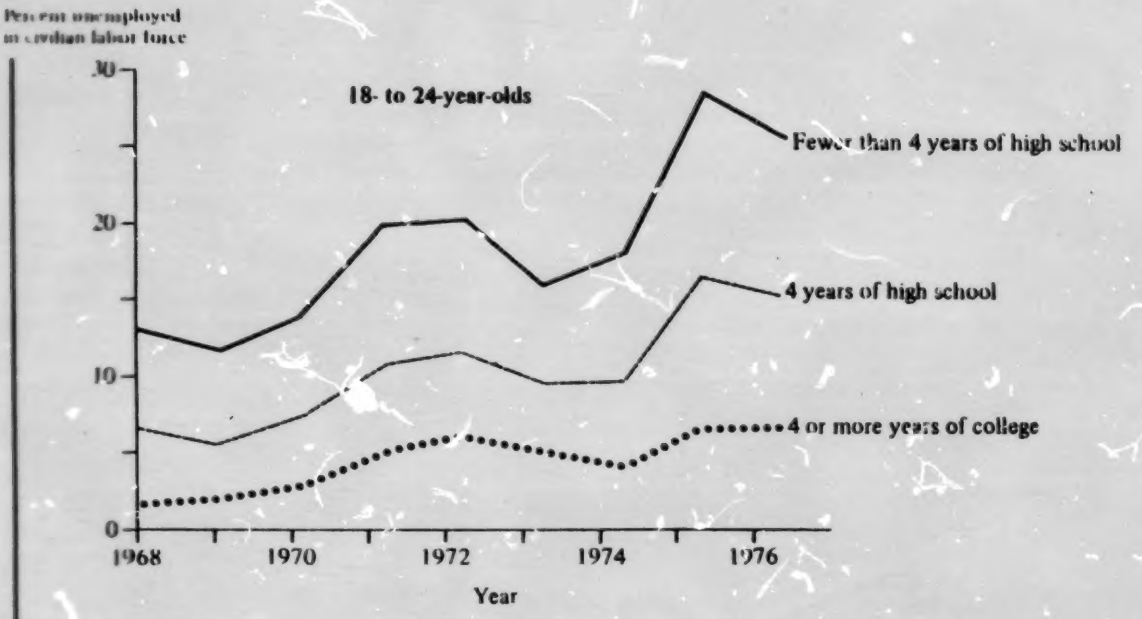
Americans came to believe that compulsory schooling for everyone benefited the nation both politically and economically. They also came to realize that education can contribute substantially to individuals' awareness and understanding of both themselves, their fellow humans and the world in which they live. In addition, Americans saw that education can have a decided effect on a young person's positive self-concept, a factor of decisive importance in one's lifetime contribution to self, family and community.

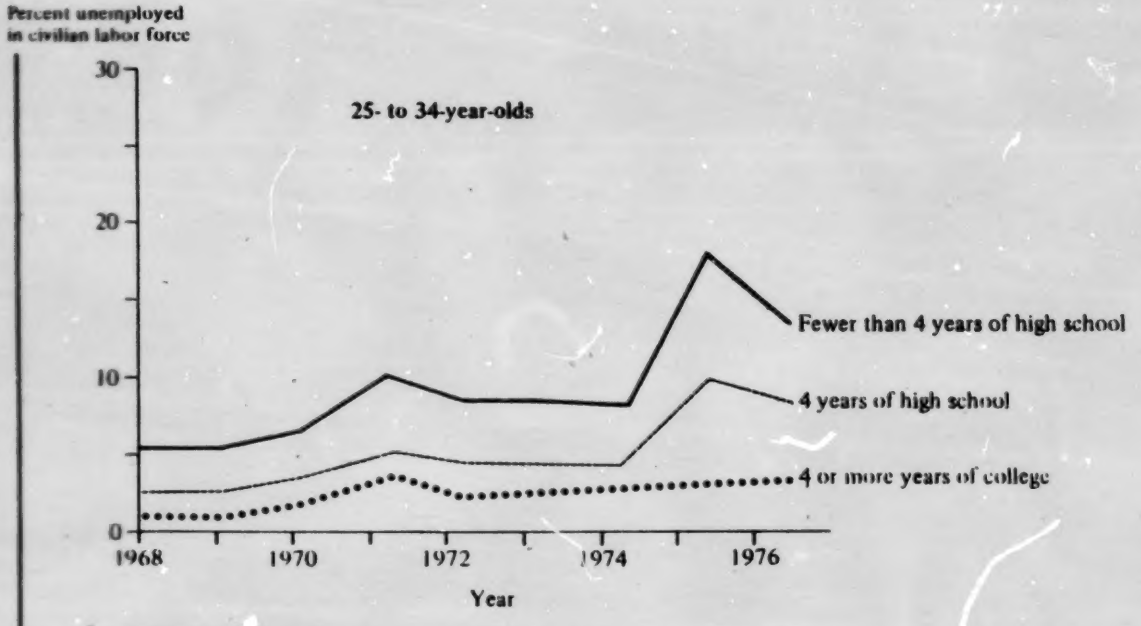
The More Education the Higher the Voting Rate



Source of Data: Bureau of the Census

The More Education the Less Unemployment





Source of Data: Bureau of Labor Statistics

Figure 5

By the turn of the century, 70 percent of all children in America aged 6-13 were in elementary schools, while about 10 per cent of those 14-17 years of age were attending high schools. Today, nearly 100 percent of all children aged 6-13 attend elementary schools, while more than 90 percent of those aged 14-17 attend high schools, according to the National Center for Education Statistics.

America provides more education for a greater proportion of its population than any other nation.

More Education Means Higher Earnings

The economic value of education to the individual is well known. The more education people have, the higher lifetime earnings are likely to be. The U.S. Census Bureau estimates that the average high school graduate will earn about $100,000 more in his or her lifetime than a person with only an elementary school education. And the greater the amount of education attained by a person, the less likely that person will be unemployed.

Just as an individual benefits economically from education, so too does society. For example, higher individual incomes lead to larger local, state and federal tax returns; communities with high median incomes have high retail sales per capita.

Only in recent years, however, have economists recognized education's potential as an investment in human resources. While the industrial revolution proved that education produces a skilled work force, the relationship of education to increased productivity was not appreciated.

When economists found that investment in plant and equipment could not by itself explain America's rapid economic growth, they looked more carefully at human resources. They concluded that investments in new knowledge, including education, paid off in the creation, development and marketing of new goods, new technologies and new serveys.

Conservative economists now believe that more than one-half of the differences in per capita income between the United States and less developed countries can be explained by differences in the quality of human resources available. Other economists have concluded that the growth in real per capita income in the U.S. since 1930 has been due as much to investments in knowledge and education as it has been to investments in plants and equipment.

Not only has education provided more people with higher incomes, it has also contributed significantly to the nation's economic growth and to each person's understanding of self and others.

People Expect More from Schools

Americans have traditionally demanded more from their schools than education for citizenship and education for economic growth. Almost from the beginning of the compulsory school movement, there have been social as well as political and economic expectations. When millions of immigrants poured into the nation between 1850 and 1920, it was the public schools more than any other institution that assumed prime responsibility for the "Americanization" of their children.

In more recent years, public schools have led national efforts to provide more equal opportunities for women, minorities and the mentally or physically handicapped.

In addition, as the influence of traditional forces in shaping the transition from childhood to adulthood declines, schools are being called on to assume even greater social responsibilities.

Americans have deliberately used their schools as agents of social understanding and social change.

Education as a Weapon Against Crime

Education helps reduce the crime rate, according to the California Supreme Court in the ruling on the Serrano case.

What the court meant is that the more education a person has, the less chance he or she will participate in criminal activities.

Nearly 90 percent of all adult prisoners in the United States did not complete high school. Adult prisoners completed a median 8.5 grades, compared with 12.3 for the general population.

Eighteen percent of the nation's adult population has had at least one year of college education. But only five percent of all adult prisoners have been to college.

And while the average annual expense per pupil for public schooling in California was $1,595 in 1976-77, the average annual cost of maintaining a youngster in a juvenile detention facility was $15,000.

Do People Expect Too Much?

Americans' faith in the value of education was never greater than during the 1960's. Education was called upon to play a central role in a massive national effort to eliminate poverty and injustice. Education, it was hoped, would help transform the poor into self-supporting, tax-paying citizens. Education was seen as the solution for all of society's ills.

Despite some successes, such as dramatic improvements in the percentage of students finishing high school, many people started to say that education was failing. Taxpayers started to question whether the amount of money being invested in education was paying off. Poverty was not eliminated and injustices persisted.

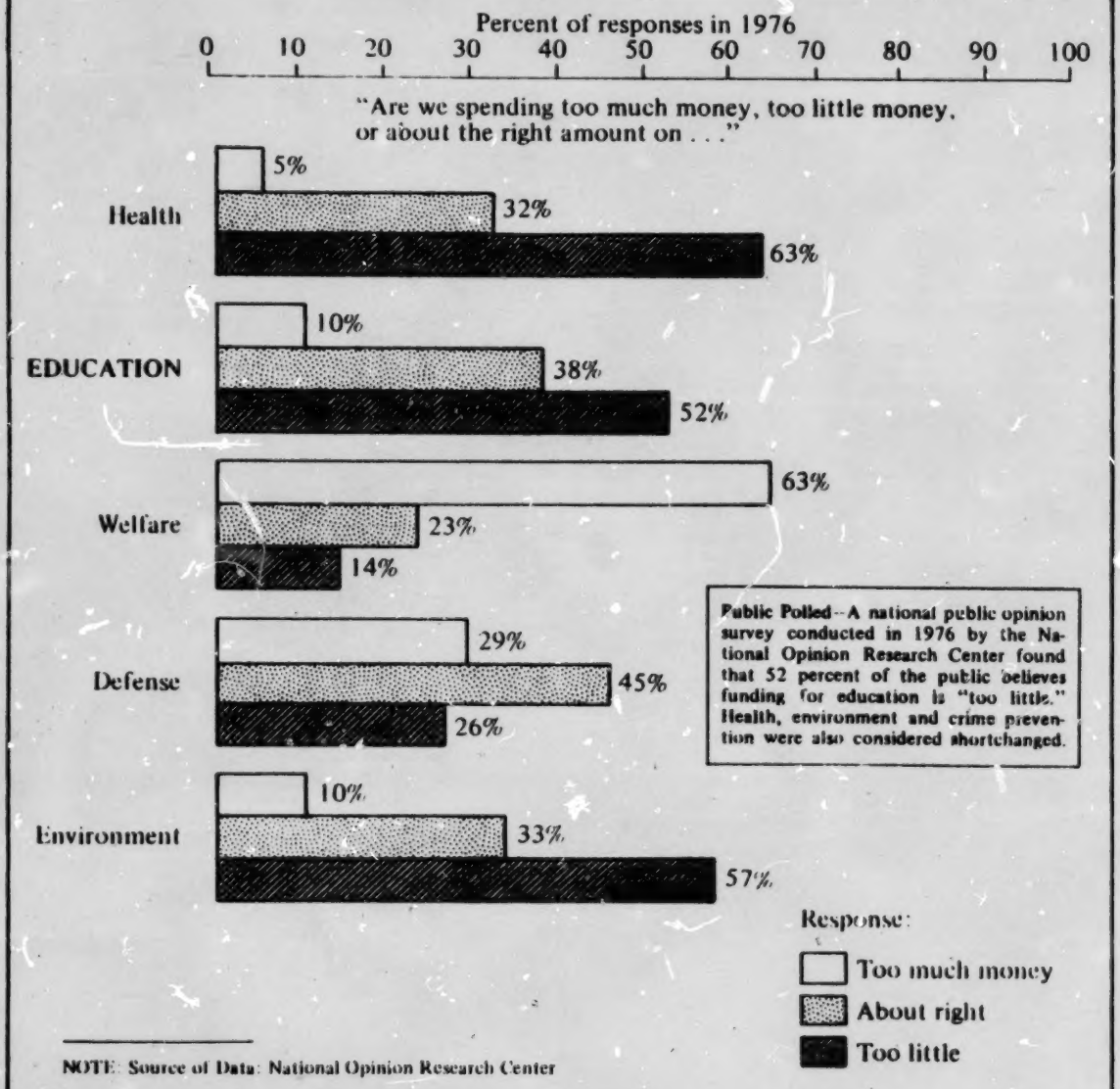
So much was expected of schools that when the public sensed they were failing, confidence in education declined. Student misbehavior and highly publicized but unproved research challenging the value of schooling made the situation worse.

Education was oversold. Schools alone cannot change society In fact, the primary job of schools is to transmit existing social and cultural values and to develop productive skills. If schools also provide students with equal opportunities for achieving individual excellence, the results are reflected throughout society.

In fact, schools are only one of many teachers in our society-one of many educational institutions. Just as schools over the past 100 years gradually assumed many of the education responsibilities of the family, church and community, so now are schools themselves being supplemented by the educational influences of other forces, particularly the mass media. Alistair Cooke, Big Bird, Walter Cronkite and Archie Bunker have also become teachers of the nation.

The need for the various services performed by schools has not declined, but they need to be considered realistically in the context of the total society. Public schools make unique contributions to society--politically, economically and socially. They are perhaps the most improtant function of state and local governments, for as the Serrano trial judge said, "education has a more sustained, intensive contact with people than any other governmental service."

Public's View on Education Spending



NOTE: Source of Data: National Opinion Research Center

U.S. Public Opinion on Domestic Spending

Third Step to a Solution:

Allowing for Differing Needs

One way of looking at school finance needs in California is on a cost per pupil basis.

Viewed in this manner, there are four elements to consider in financing a school program. Three are directly related to the instruction of children. The fourth is determined by the character or location of the local school district.

First, there's the financial foundation -- the amount of money required to pay for the basic educational needs of the typical California child in the typical California school.

Second, there's a lesser amount per child -- perhaps an average of 7 percent of the foundation figure -- that should be invested in accountability, reform and renewal. This funding is designed to ensure that programs are held accountable for success and that parents, teachers and school administrators are involved in decisionmaking.

Third, many children have special needs that cost more money. Handicapped children, for example, or those who come to school speaking a language other than English, need more help than other children.

Finally, schools in various parts of the state have different operating costs. Some have higher utility bills due to heating or air conditioning needs. Some must bus pupils unusually long distances to and from schools.

Element I -- Foundation Support

There is no typical California child or typical California school, of course. All children and all schools are different. But, if one assumes that most children have similar educational needs and that they all require similar educational resources, it would be relatively easy to figure out the annual cost of education for each child. The costs of instruction, supporting services and administration would be added to building operation expenses. This total would be divided by the number of children enrolled. The result would be the annual per pupil cost of a basic educational program -- the foundation portion or element of a school's financial support. Districts wishing to spend more could do so, but their effots would be the same as all other districts with similar wishes.

Element II -- Accountability and Renewal

Schools, like every other institution in society, need to keep pace with change. Schools should change to meet the changing needs of children. Funds are essential for determining or assessing how well school programs are meeting individual pupil needs and whether changes are needed. Such changes could include new approaches to learning or improved curriculum materials.

The goal for this accountability and renewal element is really quite simple: to ensure accountability for educational success of each child at each school and to guarantee that parents, teachers, administrators and other school persons can work together to provide educational programs for the needs of all pupils.

Money to pay for these assessments and changes makes up the second element in a school district's financial support. In business and industry, such funds are known as research and development money. In education, they are for accountability, reform and renewal. In California, this kind of money would be used to help pay for new approaches to early childhood education, for example, or for reforming intermediate and secondary education.

Element III -- Special Needs

Some education programs are more expensive than others. Programs that require specially trained teachers, lower pupil-teacher ratios, additional personnel -- such as teacher aides, supplementary materials, special equipment, even special classrooms -- all cost more than basic programs.

High-cost programs include such areas as:

*Compensatory education programs for children with serious learning problems. Such children often live in poor homes and neighborhoods.

*Bilingual programs for children who are not proficient in the English language.

*Special education programs for children who are mentally or physically handicapped.

Most federal aid to education is designed to help offset the excess costs of programs developed to meet the special needs of children. Therefore, some portion of the special needs costs will be covered by federal funds.

Element IV -- Differences in Operating Costs

Where a school is located and the kind of students it serves affect school costs. A school district with declining enrollments has a different financial need from a district with a growing school population. Usually, insurance costs more for an inner-city school than it does for one in the suburbs or out in the country. Pupil transportation costs vary from one district to another. Some districts must spend more to integrate their schools. Others may spend more to heat their buildings because of colder climates. The cost of living and thus of basic education vary from one part of the state to another.

Such differences in costs make up the fourth element to be considered in financing a school district.

Location Makes A Difference

The high cost of providing schooling for students in small, isolated schools accounts for some of the extremes in per pupil expenditures throughout California.

Of the 35 unified school districts that spent the most per pupil in 1975-76, 27 had 500 or fewer high school pupils. The 35 highest spending elementary school districts that same year had enrollments ranging from 9 to 508; 29 of them had enrollments of less than 100.

The Sierra-Plumas Unified School District is an example. It is a small, rural district in the Sierras. Considered a high-wealth district, it has an enrollment of 650 students spread over 1,700 square miles. Transportation costs are high because of long bus routes. One elementary and high school attendance area in the district has a total enrollment of between 39 and 45 students. Per-pupil expenditure for these students is $3,000.

The Victor Valley Joint Union High School District in San Bernardino County is another high-wealth district with unusual excess costs in noninstructional areas. The district covers 2,000 square miles of desert. It spends $118 per pupil per year on transportation alone -- far higher than the state average. In addition, temperatures that range from zero in the winter to more than 105 degrees in the summer mean higher than average heating and cooling costs.

Believe It or Not

Education costs money.

To reduce the average class size in California by one pupil would cost approximately $120 million more annually than is currently being spent.

To reduce the average class size by five pupils would cost an additional $800 million annually statewide.

To increase per-pupil expenditures throughout the state by $100 would cost $450 million.

To provide a 7 percent annual inflation allowance would cost $490 million.

To provide each full-time teacher with 60¢ per day for more learning materials would cots $20 million.

How Districts Are Organized

Three kinds of local school districts exist in California:

*Elementary districts usually serve pupils from kindergarten through grade eight.

*High school districts usually serve pupils in grades nine through twelve from two or more elementary districts.

*Unified districts usually serve pupils from kindergarten through high school.

In 1975-76, there were 677 elementary districts with 978,000 students, 115 high school districts with 578,000 students and 254 unified districts with 3.1 million students.

Fourth Step to a Solution:

Knowing the System - and Its Weaknesses

Where does the money come from to support schools?

School districts in California get money from three basic sources. They are:

*Local -- from taxes on commercial and/or residential property.

*State -- from the state government's general fund and special funds. The major sources of general fund revenues are the state sales tax, the state personal income tax and state taxes on corporate or business income.

*Federal -- primarily from federal personal income tax. Most federal school aid funds come from Washington to the State Department of Education in Sacramento for allocation to local school districts.

There are two basic kinds of state aid to local school districts in California: (1) general purpose funds to support each school district's foundation program; and (2) categorical aid to provide funds for special needs.

The state allocates approximately $3 billion a year to local school districts. Approximately 75 percent of this is distributed through the apportionment system for foundation support. About 3 percent is for restructuring kindergarten through third grade. Fifteen percent is distributed as special needs funds such as educating handicapped or disadvantaged children and about 7 percent for special costs such as pupil transportation and state teachers' retirement.

Foundation Aid: A National Overview

The foundation approach to state aid to education is common throughout the United States. The state guarantees each local school district will have a certain minimum or foundation amount of money to spend on each pupil every year.

In most states, if a local district can raise the foundation amount on its own through local property taxes, it receives no foundation aid from the state. (California provides a minimum of $125 per pupil in state aid to all districts, rich or poor.) If it cannot, the state will make up the difference between what the district can raise and the foundation figure. This equalization factor guarantees that every school district in the state will have an equal opportunity to spend at least a minimum amount per pupil every year, regardless of local district property wealth. This provides a financial floor or foundation upon which a local district's school budget can be built. To insure some degree of fairness, school districts participating in a foundation program are required to levy school taxes at rates that are within ranges determined by the state.

How is Wealth Defined?

A key factor in any school finance system is how the state defines the relative wealth of a school district.

Under current law, the assessed valuation of all property in a school district is divided by the number of students to determine the relative property welath of a district.

Some people have noted that just because a school district is property rich does not mean that the people who live in that school district have high incomes. For example, Emeryville in Alameda County is a high-wealth district, but since it is in a dense industrial area the people who live in the district have low incomes.

There are other ways to define the relative property wealth of a school district:

*The assessed property valuation could be modified by the average income in the district.

*Assessed property valuation could be divided by the total population of the district rather than by the number of students in the district.

These alternatives or others are acceptable under the Serrano decision. The State Supreme Court just requires that whatever wealth definition the state uses, it must apply the same standard in all districts in the state.

Traditionally, foundation programs set a minimum figure or floor on per pupil expenditures, but they do not set a maximum figure or ceiling. That is, districts are still free to exceed the state-established per pupil foundation figure if they so desire.

Although the California foundation aid program does include some restrictions on the amount of general purpose revenue that a district can raise for each pupil, the State Supreme Court said that the wealth-related differences in per pupil spending between high and low wealth districts are still too great to be legal.

How Foundation Aid Works in California

In California, the state establishes a different per pupil expenditure foundation for each of the three types of school districts. In the 1976-77 school year, for example, the foundation figure for elementary school districts was $1,012 per pupil. High School districts had a per pupil foundation of $1,198 because a high school education costs more. Unified districts received a bonus: an additional $20 per pupil at each level -- $1,032 for elementary pupils and $1,218 for high school students. The state prefers unified districts and accordingly offers a financial incentive in the form of additional per pupil aid.

The California foundation program includes an inflation factor. As the cost of living increases, so, too, does the annual per-pupil foundation figure.

In allocating money to local districts under the program, the state defines "pupil" in terms of average daily attendance (ADA). ADA is about 98 percent of a district's total enrollment.

The amount of state aid provided a local district under the foundation program is determined by multiplying the number of pupils by the foundation amount per pupil, minus the local district contribution -- or at least what the state figures the local district should contribute. This contribution depends on the property wealth of the district. Districts with low-property wealth per pupil receive more state aid than districts with high-property wealth per pupil. The reason: High-wealth districts will be able to raise a greater share of total per-pupil costs with the same local tax rate.

For example, an elementary school district with an ADA of 3,000 pupils would need 3,000 times $1,012 or $3,036,000 for its foundation program to educate all its children for one year. To determine how much of that total should be provided by the state, subtract the amount the state anticipates the district will raise. Anticipated contribution per pupil is based on the property value per pupil multiplied by a property tax rate established arbitrarily by the state for computation purposes only. This rate represents what the state considers to be an adequate effort by the district and is not necessarily the same as the local school district's actual property tax rate.

This state computational tax rate for elementary school districts is $2.23 per $100 of assessed valuation. It is $1.64 for high school districts.

The state figures the district's anticipated contribution this way:

First, the total assessed value of all property throughout the district is determined. Let's assume the assessed value of all property in an elementary school district is $60 million. Let's assume also that the district has an ADA of 3,000 pupils. It is necessary to divide the assessed value of all property ($60 million) by the ADA (3,000) to get the amount of assessed property per ADA. In our sample elementary district, then, there is $20,000 assessed property per pupil. (That's low. The California median is slightly higher than $23,600 per pupil in elementary school districts.)

Next, the tax rate used by the state for computation purposes must be taken into consideration. It is $2.23 per $100 of assessed value for elementary districts. Our student has $20,000 assessed value behind him or her. The state, therefore, figures that the district's contribution for each of its pupils should be $446 ($2.23 per each $100 of the $20,000 assessed valuation).

The state, under the foundation program, guarantees the remaining $566 of the $1,012 per-pupil foundation figure.

In this case, the local district's share of the $3,036,000 needed to educate its 3,000 pupils for one year would be $466 times 3,000 or $1,383,000. That's how much the elementary district must raise through local property taxes if it wants to provide $1,012 per pupil.

In reality, the district is not required to raise that much locally. Or, it may raise more and thus increase per-pupil expenditures. The district can tax its local property owners at a rate below that set by the state for computation purposes, raise less local revenue and still receive some state assistance based on the computational tax rate.

On the other hand, within state-established revenue limits, the elementary district may levy a tax higher than the $2.23 set by the state, raise more local revenue and thereby increase the amount it can spend on each pupil. However, state assistance will still be based on its computational tax rate.

In other words, the foundation amount per pupil is used to determine state assistance; it is not a state-imposed mandate of per-pupil expenditures. Within limits, a local district can spend more or less per pupil.

Inadequate Foundation

Over 88 percent of all California pupils attended school in 1976-77 in school districts with revenue limits above the state foundation program for general instructional costs.

Thus, school finance experts point out, the current foundation program does not reflect even the average base costs of public education in California.

There are two kinds of aid to local districts under California's foundation program:

*Basic aid of $125 per pupil is allocated to every school district, regardless of property wealth.

*Equalization aid is the difference between the anticipated district contribution and the foundation figure, if the difference exceeds the $125 of basic aid.

In other words, $125 of the $566 in state aid per pupil to the 3,000 - pupil elementary school district in our example is basic aid. The remaining $441 is equalization aid.

Even districts that can raise more than the foundation amount through local property tax revenues still receive $125 per pupil in basic aid. These are known in California as basic aid districts. They are, in fact, the state's high-wealth districts. Conversely, low wealth districts are known as equalization districts.

State Sets Revenue Limits for Districts

To keep high-spending districts from spending even more per pupil than they do now in comparison to low-spending districts, a limit, or ceiling, is set on the amount of money any district can raise per pupil for general school purposes. This ceiling is known as a revenue limit. There is a separate per-pupil revenue limit for each school district. These limits are based on per pupil expenditures in each district in 1972-73. An increase in the revenue limit for each district is calculated each year. The limits for high-spending districts increase more slowly than do the limits for low-spending districts. The idea, known as convergence, is that over a period of years the gap in per pupil expenditures between high-and low-spending districts will be lessened and eventually all but eliminated. However, the ultimate equalization potential of the revenue limit feature of California's foundation program is jeopardized by a device known as voter overrides.

A Loophole: Voters May Override the Limit

A local school district can exceed its per-pupil revenue limit through a voter override. That is, the voters in a district may elect to override the state-established revenue limit by any amount per pupil for any period of time. In 1975-76, voters in 123 California school districts were asked to approve increased per-pupil revenue limits. Increases were approved by the voters in 31 districts.

Since most override elections that pass are in high wealth districts, this feature of California's foundation program serves to maintain, or even worsen, spending discrepancies between high and low wealth districts. Thus, overrides tend to nullify the convergence potential of per-pupil revenue limits.

Why the Foundation Program Does Not Equalize Spending

Three features of California's foundation program limit true equalization of per pupil spending.

First, basic aid of $125 per pupil goes to all districts, even the most wealthy.

Second, because all local districts are not required to raise enough local revenue to meet the foundation figure, per-pupil spending in some districts is below the foundation level the state believes is necessary to provide a minimum quality of education.

Third, because voters have the power to exceed per pupil revenue limits, inequities in per pupil expenditures per dollar of tax rate are perpetuated.

Fifth Step to a Solution:

Hearing The Message of Serrano Clearly

John Serrano thought his son was being treated unfairly, perhaps even illegally. His son, John Jr., attended an elementary school in the Baldwin Park Unified School District where annual per pupil expenditures were only $577. At the same time, Pasadena, a nearby unified school district in Los Angeles County, was spending $840 each on pupils just like his son. And the Beverly Hills Unified School District was spending more than $1,200 on each of its pupils -- more than twice as much as was being spent on Serrano's son.

It was 1968. Mr. Serrano and nine other parents joined forces to sue a number of state and local officials on behalf of themselves as taxpayers and their 27 children as public school students. They claimed that California's system of financing public schools unfairly discriminated against them because they happened to live in a low-wealth school district that couldn't affort the kind of educational spending possible in Pasadena or Beverly Hills.

When the case went to court, John Serrano was the first of the 10 parents to be named on the legal papers involved. The first state official listed as a defendant was Ivy Baker Priest, then the state treasurer. And so the case came to be known as Serrano v. Priest.

The lawsuit was in the Los Angeles Superior Court twice and in the court of appeals once. It was reviewed twice by the California Supreme Court. The trial judge was Bernard Jefferson of the Los Angeles Superior Court. In the summer of 1974 he ruled in favor of Serrano. His decision was appealed.

A final decision was issued by the State Supreme Court on December 30, 1976--eight years after Serrano and the others first went to court with their complaint. The court agreed with what Serrano had argued from the beginning: The way Californians pay for their public schools is unfair to taxpayers and children in low-wealth districts.

The state legislature, said the court, has created a school finance system that makes "the quality of educational opportunity available to a student dependent upon the wealth of the district in which he lives." The system, said the court, is "inconsistent with fundamental constitutional provisions guaranteeing the equal protection of the laws to all citizens of this state."

The California Constitution requires that "all laws of a general nature shall have uniform operation," and that no citizen or group of citizens can receive "privileges or immunities" that are not granted to all citizens.

In effect, the court said, parents, pupils and taxpayers in low-wealth districts were being denied equal protection because the California school finance law did not have uniform application.

Citizens in high-wealth districts had been granted privileges that had not been granted to all other citizens.

Court Says Dollars Make a Difference

Here's what the California Supreme Court had to say about the relationship between expenditures per pupil and the quality of education:

"Substantial disparities in expenditures per pupil among school districts cause and perpetuate substantial disparities in the quality and extent of availability of educational opportunities...Although an equal expenditure level per pupil in every district is not educationally sound or desirable because of differing educational opportunity requires that all school districts possess an equal ability in terms of revenue to provide students with substantially equal opportunities for learning. The system before the court fails in this respect, for it gives high wealth districts a substantial advantage in obtaining a higher quality staff, program expansion and variety, beneficial teacher-pupil ratios and class sizes modern equipment and materials and high-quality buildings.

"There is a distinct relationship between cost and the quality of educational opportunities afforded. Quality cannot be defined wholly in terms of performance on statewide achievement tests because such tests do not measure all the benefits and detriments that a child may receive from his educational experience. However, even using pupil output as a measure of the quality of a district's educational program, differences in dollars do produce differences in pupil achievement."

In effect, the court said, parents, pupils and taxpayers in low-wealth districts were being denied equal protection because the California school finance law did not have uniform application. Citizens in high-wealth districts had been granted privileges that had not been granted to all other citizens.

The court said that education is a fundamental right of all California citizens. Fundamental rights, such as the right to vote, are subject to what is called "strict scrutiny" under the equal protection provisions of the state constitution.

Therefore, the court said, the state had to prove that its school finance system is "necessary to achieve a compelling state interest." The defendants argued that local control of financial and education matters constitutes just such a compelling state interest, so much so that retention of the existing school finance system is justified.

The court rejected this argument, saying that under the present system only a high-wealth district "will be truly able to decide how much it really cares about education. The poor district cannot freely choose to tax itself into an excellence which its tax rolls cannot provide. Far from being necessary to promote local fiscal choice, the present financing system actually deprives the less wealthy districts of that option."

Two Issues

There are two interrelated issues in the Serrano decision.

The first is disparities in per pupil expenditures due to local district wealth.

The second is disparities in local tax effort. Low-wealth districts usually raise less money per pupil with higher tax rates than high-wealth districts do with low tax rates.

The Serrano decision requires the state to achieve equity on both counts.

The court said:

*Differences in annual per pupil expenditures due to local wealth must not exceed $100.

*The relative effort required of local taxpayers for school purposes must be nearly the same throughout the state.

*Both pupils and taxpayers must receive equal protection under the law.

Common Misconceptions About Serrano

All schools will have to spend the same amount of money for the education of each child.

Not true. Different amounts can be spent on different children so long as the reason for doing so is something other than local district wealth. High school students, for example, usually cost more to educate than do elementary school students. Handicapped children need special education services that are more expensive. Equal protection does not prevent the state from treating people differently. It does prevent different treatment that is considered aribtrary and unreasonable.

Local property taxes have been outlawed as a means of financing public schools.

No. The court did not rule out the possibility that an acceptable school finance program might

still include local property tax revenues But differences in per pupil spending based on local wealth alone may not exceed $100 per pupil. Property tax revenues would account for a smaller proportion of local school budgets in the future.

Local control of education will suffer as a result of the court decision.

Not necessarily. Constitutionally, education is a state responsibility. Historically, the California legislature has delegated significant authority to local school boards. A new state school finance program does not necessarily mean any lessening of state-delegated authority.

The Serrano decision means that the state will have to assume 100 percent of all local school costs.

Full state funding of local schools is only one of many options available to the legislature in fulfilling the court's decision.

Sixth Step to a Solution:

Learning from Other States

California isn't alone.

Since 1970, more than 20 states have become involved in a national school finance reform movement. Some have done so voluntarily. Others are there because of court action initiated by concerned parents or taxpayers.

The states involved in this movement range geographically from Montana to Florida and from Maine to Arizona. Included are industrialized states such as California and Michigan as well as rural states such as North Dakota and New Mexico.

Generally, the impact of the movement has been threefold:

*The state has assumed a greater role in school finance, increasing its share of school support.

*Local property tax rates for schools have been held steady or reduced, in some cases dramatically.

*Financial resources for the education of children have been distributed more equitably.

Four forces came together to make this possible: increased parent and taxpayer concern about the cost and quality of public schooling, federal revenue sharing funds, more state political involvement in education and greater knowledge of school finance.

Parents who believed their children were getting short shrift, or taxpayers who believed they were getting shortchanged, went to court to demand that education funds be raised more equitably.

The result has been school finance litigation in a number of states, based on either education or revenue issues. The most notable of such cases were decided on state constitutional grounds in California, Connecticut, New Jersey, Arizona, Idaho and Washington. In four of these six cases the courts found the existing state school finance system to be unconstitutional.

Meanwhile, federal revenue sharing provided many state governments with the money necessary to assume a greater share of local school costs.

And even while court decisions were requiring reform and federal funds were making it possible, state political leaders were becoming increasingly involved in education issues.

Finally, greater knowledge, the result of years of research and development activity, has made possible far more sophisticated school finance programs than could have been developed even 10 years ago.

And so in many states it all came together in the early 1970's: public pressure, court decisions, state budget surpluses, political leadership and the necessary know-how.

Progress resulted from legislation, not referendum. States that submitted school finance or property tax proposals to popular votes failed -- in California (Proposition 14 in 1972), Colorado, Michigan, Oregon, Washington and Wyoming.

States that succeeded in reforming their school finance systems through legislation have included at least two of three elements in their programs: property tax relief, school budget controls and equalization in the allocation of resources.

Property Tax Relief

Reductions in school property tax burdens have taken place in at least five states that have reformed their school finance systems: Colorado, Kansas, Minnesota, North Dakota and Wisconsin. In Colorado, for example, the average school property tax rate was reduced by two percent in the first year of reform.

Not only have school property taxes been reduced, they also have been made more equitable. Taxpayers in low-wealth school districts, who prior to reform paid higher-than-average tax rates, now pay lower school property taxes.

In addition, many reform states have provided means of stabilizing school property tax rates through tax and/or per-pupil expenditures limitations.

Budget Controls

One of the most popular elements of some state school finance reform programs has been budget control. Tax limits are included in school finance reform measures in Florida, New Mexico, North Dakota and Minnesota. Per-pupil expenditure ceilings are in operation in Colorado, Iowa and Kansas.

However, some states provide opportunities for local districts to exceed their spending limits, either through appeals to budget review committees or by voter override elections. Such exceptions usually benefit high-wealth rather than low-wealth districts and thus tend to slow or prevent equalization of expenditures based on wealth.

Equalization

From an education perspective, the greatest accomplishment of the state school finance reform movement has been significant progress toward equalizing educational opportunities for children.

Many states have already succeeded in narrowing the wealth-based gap in per pupil expenditures between rich and poor school districts. Others have adopted school finance reform programs designed to reduce, over a period of years, disparities resulting from wealth.

Finally, some states have included cost of living factors in their new school finance formulas. As a result, urban and isolated rural school districts, where non-instructional costs are usually high, have received a higher percentage of state aid than they would have otherwise.

What It Takes

School finance reform requires an adroit combination of educational, financial and political considerations.

But most of all, it requires public understanding and support -- understanding that education is a statewide responsibility and support of the concept that every child in the state deserves both equality of educational and quality schooling.

Seventh Step to A Solution:

Considering the "New" Alternatives

On September 17, 1977, Governor Brown signed AB 65.

The measure carried an urgency clause and became effective immediately upon his signature. The only major change in the bill as sent to him by the Legislature was the deletion of the funding for variable costs; i.e., transportation, insurance, energy, and maintenance, amounting to $29.1 million. In eliminating this appropriation from the bill the Governor said, "The criteria and methodology for determining eligibility and the justification for funding under this concept need further analysis and testing. The Superintendent of Public Instruction has contracted with the Education Commission of the State through available federal funds to conduct a study of "variable costs" to be completed by July, 1978. We are deleting the appropriation pending completion of this study."

The kind of changes which will be made during the next few year as a result of AB 65 will affect the cost and the quality of the state's 7,045 public schools. We will attempt to summarize the bill.

1. Foundation Program - The foundation program will be increased by $109 in 1978-79 and by $119 in 1979-80. In 1981 and thereafter a 5% inflation allowance will be applied to the foundation program and the revenue limit. Under current law the high school adult education foundation program will increase from $862 to $916 in 1977-78 and by 6% each year thereafter.

2. Revenue Limits - For 1977-78 only all districts will calculate their revenue limits pursuant to the provisions of SB 1641 of 1976. For 1977-78 only the increase which ordinarily would have been calculated in the revenue limit will be provided as a direct allocation to qualified equalization aid school districts will not be eligible for additional revenue limit increases in 1978-79 all revenue limits (including basic aid districts) will be adjusted to reflect the 1977-78 increases. No prior year adjustments will be allowed for these increases. Districts with revenue limits greater than 1.2 x the foundation program will utilize a 7% inflation factor program allowance adjusted by the districts' squeeze factor rather than the increase in the foundation program except that under no circumstances should such districts' revenue limits be 1.2 x the prior year's foundation program plus the foundation program increase modified by the districts' squeeze factor.

3. Declining Enrollment Adjustment - Beginning in 1978-79 the districts will be allowed to include 75% for the current loss in a.d.a. plus 50% of the prior year's loss; e.g., in 1978-79 50% of the decline in the 1977-78 a.d.a. and 75% of the decline in the 1978-79 a.d.a. may be used to compute the district's revenue limit. Eligibility would be based upon a requirement of at least 1% loss in a.d.a.

4. Special Education - A 6% increase in 1977-78 in funding for physically handicapped, educable mentally retarded, severely mentally retarded and educationally handicapped programs not covered under the Master Plan for Special Education. The measure also provides for expansion and funding of M.R. for the next three years with funding allocated for the subsequent two years but to be appropriated through the budgetary process.

5. Instructional Materials - Provides for an increase of $3.36 per a.d.a. in the instructional materials fund for 1977-78 and provides that this amount shall be adjusted annually thereafter in conformance with the Consumer Price Index (all items of the Bureau of Labor Statistics of the U.S. Dept. of Labor measured for the calenday year next preceding the fiscal year to which it applies). This is the first and only use of the CPI as an inflation factor in any school finance legislation.

6. STRS Unfunded Liability Relief - Commencing in 1979-80 districts contributions to STRS will increase to 8.5% of certificated salaries with an additional increase of .5% for each fiscal year thereafter until the total district contribution equals 10% of certificated salaries. In addition, commencing 1979-80 the state will make additional contributions to STRS of 1% of the total of the salaries upon which members contributions are based. The state's contribution will increase by a .5% per year until it reaches a total of 3% in the fifth fiscal year (1983-84). County superintendents' offices will be allowed to increase revenue limits to cover the increased cost of STRS.

7. Slippage - State and local funding ratios based upon the 1977-78 year will be maintained commencing in 1978-79 by requiring the State Superintendent of Public Instruction to notify all school districts and county superintendents of schools on or before July 15 of each fiscal year of the estimated computational tax rates and these rates will be used by school districts in estimating state aid to be received under the foundation program for that fiscal year in preparation of the district's publication budget. We believe this is a very important factor in AB 65, although due to the large increase in assessed values throughout the state in 1975 (over 14%), the state's guaranteed percentage will be much less than had the 1976-77 fiscal year been used as the base.

8. Guaranteed Yield Program - (Variable Revenue Limit) - Recapture and Maximum Tax Rates - We will not attempt to analyze these features of the bill at this time. Hopefully, we will be able to give you a concise summary of these within the near future.

THE NEW FUNDING

Additional school support over present level of spending (when totally operative in fifth year)	Assemblyman Greene's AB 65 $2.6 billion, with the maximum increase in base support of 8 percent a year to any district.
Special funds	About $300 million in additional money for the handicapped and for various reform programs, such as early childhood education. Another $150 million in additional aid to urban districts.
Basic equalization mechanism	Reduction of tax-rate inequities.
Tax-rate impact	Better for low-wealth districts. No increases in tax rates. The disparities between districts are reduced substantially.
Expenditure impact	Comparatively, high-wealth and/or urban districts will be better off, including San Francisco, Los Angeles, Oakland, Pasadena, Berkeley and Beverly Hills.
Basic expenditure per child in the fifth year.	About $1,600.
Elimination of inequities	In districts with 86 percent of the state's school children, the same tax effort would produce the same number of dollars per pupil. About 88 percent of the students would be brought to within $200 of each other in school support.
The impact on Beverly Hills and similar areas	The tax rate would go down slowly, and the district would have about the same amount to spend per student. Some tax money would be put in a state pool to help poorer districts.

The impact on Baldwin Park and similar areas	The tax rate would not go down as much as in SB 525. In the fifth year, however, there would be no difference in the amount for each student.
The impact on San Francisco and similar areas	Would have more to spend, primarily for special purposes. Otherwise, the same impact as on Beverly Hills.
The impact on the Los Angeles City schools	More money to spend on each child and a reduced tax rate.

Improvement of Elementary and Secondary Programs
as Outlined in AB 65

I. LEGISLATIVE INTENT

The Legislature is committed to the beliefs that schools should:

a) Recognize that each pupil is a unique human being to be encouraged and assisted to learn, grow, and develop in his or her own manner to become a contributing and responsible member of society.

b) Assure that pupils achieve proficiency in mathematics and in the use of the English language, including reading, writing, speaking, and listening.

c) Provide pupils opportunities to develop skills, knowledge, awareness, and appreciations in a wide variety of other aspects of the curriculum, such as arts and humanities; physical, natural, and social sciences; physical, emotional, and mental health; consumer economics; and career education.

d) Assist pupils to develop esteem of self and others, personal and social reasponsibility critical thinking, and independent judgment.

e) Provide a range of alternatives in instructional settings and formats to respond adequately to the different ways individual pupils learn.

f) Maintain a schoolwide process for the involvement of parents broadly reflective of the socio-economic composition of the school attendance area, principals, teachers, other school personnel, pupils attending secondary schools, and members of the community in the development of school improved plans.

In order to implement these beliefs, the Legislature has mandated that:

a) Pupils will acquire the knowledge, skills and confidence required to function effectively in contemporary society.

b) Districts will develop clearly defined proficiency standards in basic communication and computation skills for pupil. Governing boards maintaining grades 6-8 shall by June 1, 1979 adopt standards of proficiency in basic skills. Designated employees within a high school district shall meet prior to June 1, 1979 to plan for articulation of elementary and high school proficiency standards and thereafter review the effectiveness of such articulation procedures.

c) Pupil assessments will measure the progress of each pupil mastering basic skills rather than the pupils performance relative to his classmates. Conferences with parents, school personnel and secondary pupils shall be arranged to discuss recommended actions for pupils who do not demonstrate sufficient progress toward mastery of basic skills. Subsequent to June 1980, no pupil shall receive a diploma of graduation if he or she has not met the standards of proficiency.

d) Students will be provided with opportunities to utilize community education resources and to develop and demonstrate their abilities in a variety of educational settings.

e) Alternative means for students to complete the prescribed course of study shall be made available to students, parents, and the public by January 1, 1979. Alternative means for secondary students who demonstrate course proficiency shall be provided alternative courses.

II. SCHOOL IMPROVEMENT PLANS (SIP)

In order to accomplish these objectives, it has been mandated that the governing board of each school district shall:

a) Ensure that the principal of every school receives information coverning SIP and provides such information to teachers, other school personnel, parents, and, in secondary schools, pupils.

b) Adopt policies to ensure that prior to scheduled phase-in, a school site council is established at each school site to consider whether or not it wishes the local school to participate in the school improvement program. The council may request the governing board to exclude the school from participation as to whether a local school will participate in the school improvement program shall rest with the local governing board.

c) Establish a plan for the phase-in of schools. One-half of the schools that are participating in any year are schools with the greatest numbers or concentrations of educationally disadvantaged youth until all such schools participate.

d) Constitute at each elementary school site a council which has parity between (a) the principal, classroom teachers and other school personnel; and (b) parents or other community members selected by parents.

e) Constitute at each secondary school site a council which has parity between (a) the principal, classroom teachers and other school personnel and (b) equal numbers of parents and pupils.

f) Ensure that the term and method of selection and replacement of council members shall be specified in the school improvement plan.

g) Make it known that any school site council may inform the local governing board that it wishes to apply for a planning grant from the State Department to develop a three-year school improvement plan.

h) Review each three-year school level plan to provide assurance that:

1) There are available curricula, instructional strategies, and materials responsive to the individual educational needs and learning styles of each pupil. These will enable all pupils to:

- make continuous progress and learn at a rate appropriate to their abilities.

- master basic skills in language development and reading, writing, and mathematics.

- develop knowledge and skills in other aspects of the curriculum, such as arts and humanities; physical, natural, and social sciences; multicultural education; physical, emotional, and mental health; consumer economics; and career education.

- pursue educational interests and develop esteem for self, and others, personal and social responsibility, critical thinking, and independent judgment.

2) Consideration shall be given to the use of community resources.

3) Instructional and auxiliary services are available to meet the special needs of non-English-speaking or limited-English-speaking pupils, (including instruction in a language such pupils understand) educationally disadvantaged pupil; and pupils with exceptional abilities or needs.

4) A staff development program for teachers, other school personnel, paraprofessionals, and volunteers is included.

5) Improvement of the classroom and school environments in addressed.

6) Other objectives as established by the council are included.

7) The proposed expenditure of allowances is in compliance.

8) Ongoing evaluation and modification of the school improvement plan by the council is based on information regarding:

- the degree to which the school is meeting its objectives as assessed by parents, teachers, other school personnel; and pupils.
- student achievement.
- improved school environment: (A) incidence of absenteeism, suspension, expulsion, dropouts and costs of violence, vandalism, and theft while participating in school activities, (B) pupil attitudes toward school, self, and others, (C) absenteeism, resignations and requests for transfers among teachers and other school personnel, and (D) satisfaction of teachers, pupils, parents, administrators, and other school personnel with school services and decisionmaking processes.
- the degree to which fiscal expenditures meet the criteria of the school improvement plan.

i) Certify that in elementary schools the school improvement includes:

1) The active involvement of parents in classroom.

2) Evaluation of pupils' health needs.

3) Parent education regarding growth and development of children.

j) Certify that in secondary schools the school improvement plan includes:

1) Availability of timely advice regarding learning options, career opportunities, and school related problems.

2) A range of alternatives in the size, composition, and location of learning groups, including community-based study.

3) A process whereby pupils may demonstrate proficiency in any aspect of the curriculum in order to waive course-hour requirements and pursue an elective course of study.

k) Ensure that each school improvement program includes a local staff development program.

l) Recognize that the school site council shall have ongoing responsibility to review with the principal, teachers, other school personnel and pupils the

implementation of the school improvement program and to assess periodically the effectiveness of such program.

m) Recognize that the council shall annually review the school improvement plan, establish a new school improvement budget, and, if necessary, make other modifications in the plan to reflect changing improvement needs and priorities.

n) Recognize that schools may request, an part of their school improvement plan, the provision of time during the regular school year to advise students or conduct staff development programs and receive full average daily attendance reimbursement. Such time shall not exceed eight days each year for each participating staff member.

o) Review and approve or disapprove planning applications and school improvement plans. No plan shall be approved unless it was developed and recommended by a school site council.

p) Develop and update annually a district master plan keyed to the school improvement objectives. Such master plan shall include:

- a description of the district's strategies to assist schools to plan, implement, and evaluate school improvement programs.
- a plan for the phase-in of schools.
- copies of all approved school improvement plans.
- a schedule of planning grants and implementation grants for participating schools.

q) Adopt policies regarding the responsibilities of school site councils.

r) In cooperation with participating schools, inventory opportunities for community-based learning and design processes by which secondary students may demonstrate proficiency.

s) Evaluate the effectiveness of participating schools in meeting their school improvement program objectives.

t) Terminate implementation grants to schools which are unsuccessful over a four-year period.

u) Provide for staff development activities jointly developed with teachers and other school personnel.

v) Examine the patterns of school organization to determine which patterns best meet the needs of the students in the district.

w) Ensure that allowances provided shall be used to supplement, not supplant, existing fiscal efforts and that schools which receive such allowances shall have base expenditures comparable to nonparticipating schools.

x) Be permitted to join together with other districts or county superintendents of schools offices to apply for funds.

III. FUNDING

The State Department shall make allowances to districts as follows:

a) For schools with approved planning applications, planning grants in the amount of thirty dollars ($30) per unit of average daily attendance (for the period January - June, 1978).

b) For schools with approved school improvement plans, implementation grants in the amount of:

1) One hundred forty-eight dollars ($148) per unit of average daily attendance in kindergarten and grade 1, 2, and 3, or their equivalent.

2) Ninety dollars ($90) per unit of average daily attendance in grades 4 to 8.

3) Sixty-five dollars ($65) per unit of average daily attendance in grades 9 to 12.

Nothing shall preclude the participating by an individual school district in a consortium or a cooperative in order to provide support and contract services to school districts.

IV. PROGRAM AND FISCAL REVIEW

Program and fiscal reviews will be conducted to:

a) Ensure that funds allocated are expended for the purpose intended.

b) Provide information helpful to local schools in meeting their school improvement objectives.

c) Provide information to the state board regarding program implementation to be used in decisions regarding program expansion to other schools. Information regarding program implementation at a given school shall not be used in decisions regarding program expansion until such school has participated in the school improvement program for at least one and one half school years.

The superintendent shall recognize diversity in school improvement objectives and implementation strategies. In no case shall the review process be used to impose or prohibit a particular instructional program.

The majority of persons participating in such review shall be persons who are not in the employment of the district under review.

d) Give priority in scheduling such reviews to districts and schools which have been least successful in meeting the objectives of their plans.

V. EVALUATION

The evaluation submitted to the Legislature shall contain information from school district representative sample concerning: (a) the total number of students at each grade level participating in the programs funded (b) the effectiveness of the programs funded based to the maximum extent possible on objective measurements (c) improved pupil achievement (d) school organization and the instructional, human development and counseling skills of participating school personnel and (e) fiscal expenditures.

VI. OPERATING GUIDELINES AND REGULATIONS

The SDE has formed the following Task Forces to analyze the legislation and prepare guidelines:

a) Planning

b) Monitor and Review/Compliance

c) Restructuring 4-6/7-12

d) Individualization

e) Roles of Staff, Parents, District, Schools, School Site Councils, State Dept. of Education

f) Staff Development

g) Expansion

The following timeline for the implementation of AB 65 has been tentatively established:

a) Task Force Meeting - October 1977

b) Task Force Reports to State Board - November 1977

c) Operating Regulations to Local Schools - December 1977

d) Planning Grants Submitted - January 1978

e) Planning for Restructuring - February to June 1978

f) Implement Restructuring Programs - September 1978

DEFINITIONS

Average Daily Attendance (ADA) — A formula for measuring the full time equivalent of pupil school attendance. Most apportionments are based on ADA. In practice, ADA approximates 97 percent of actual total enrollment. An example of an ADA calculation for a regular time elementary pupil would be to divide the number of days of attendance by the number of days school was taught.

Apportionments — Amounts computed and allowed to school districts and county superintendents according to the various formulas contained in the statutes governing school finance.

Assessed Valuation per Average Daily Attendance (AV/ADA) — The generally accepted measure of a school district's local wealth or "ability."

Basic Aid — The state's guarantee of a certain minimum amount of state money for each unit of ADA of the preceding year to be apportioned to every district in the state regardless of its wealth. Currently consists of $125 per ADA, $120 of which is guaranteed by the Constitution and $5 of which is cited by statute.

Categorical Aid Programs — Special education programs including early childhood education, mentally and physically exceptional children, mentally gifted minors, and bilingual education.

Computational Tax Rate — A computational tax rate applied to a district's assessed valuation to determine its required contribution toward its foundation program. In most districts this is not the actual tax rate.

DEFINITIONS (cont'd)

Collier Factor.....A system of insuring, for the purposes of state school support only, that assessment levels in the various counties are as nearly equal as possible. The statewide average assessment level is determined, and all counties are assigned "factors" which depend upon where their level falls in relation to the statewide average figure. In effect, counties overassessing and underassessing receive state equalization aid as if they were assessing at the statewide average assessment level. Should a district in a county with a low assessment level receive less state equalization aid because of the upward adjustment of their assessed valuation, the "loss" must be made up through a countywide school recoupment tax. The assessed valuations of school districts, as corrected by the "Collier Factor," are used to compute state school apportionments.

District Aid.....The district's required contribution to the foundation program partnership computed by multiplying the district's assessed valuation by a certain computational tax rate. Not necessarily the tax actually levied in the district.

Equalization Aid.....An additional state contribution to the foundation program of a district if the total of state basic aid and district aid fail to total the amount of the district's foundation program.

Foundation Program.....A statutory amount per ADA, representing a partnership of state and local resources in guaranteeing "a minimum acceptable educational opportunity" for each pupil in the state.

DEFINITIONS (cont'd)

State School Fund.....A special fund created by the Constitution which is a vehicle through which most of the state support for the public schools is provided. Over 99 percent of its revenue is derived from transfers from the State General Fund and the balance (or about $3.5 million per year) is derived from income from investments in the School Land Fund and the Unclaimed Property Fund. The Constitution provides that the State School Fund shall be apportioned in its entirely each fiscal year.

Tax Override.....Override taxes are available to school districts on an optional basis for specific and limited purposes. Some of the purposes are: children's centers, community recreation, state building loan repayment, and construction.

Madera Unified School District

Administrative Offices

1902 Howard Road

Madera, CA 93637

OFFICERS

Duane E. Furman, Ed. D. District Superintendent

Fred Nilsen, Business Manager

Assistant Superintendents

Robert Herrick, Special District Programs

Robert F. Machado, Cert., & Pupil Spec., Services

Marco Mazzoni, Ph. D., Instruction K-12